



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

August 23, 1985

■ SUBJECT: Clarification on Calculating Actual Losses for
Livestock Operations Under FmHA Instruction 1945-D

TO: All State Directors, FmHA

Purpose/Intended Outcome: The purpose of this AN is to clarify the methods used in calculating actual losses of livestock operations. This AN provides the guidance to employees to ensure uniformity in calculating actual losses of livestock operations.

Comparison with previous AN: This AN replaces FmHA AN No. 924(1945), which expired September 30, 1984. There are no changes from the previous AN.

Implementation Responsibilities:

PRODUCTION LOSSES

FmHA Instruction 1945-D provides two basic methods for calculating production losses sustained by a livestock operation, i.e., (1) loss to home grown feed crops and (2) loss of quality and/or quantity of livestock products produced per animal unit, and of weight gain and/or natural increase in numbers of livestock units.

There are natural disaster weather factors that affect the rate of gain and/or natural increase in numbers of livestock units, e.g., excessive heat or cold, even when feed is purchased to compensate for the disaster-caused reduction in home grown feed.

With foundation breeding animals, in particular, the value of feed produced on native rangeland and pastureland constitutes a small portion of the total input cost of maintaining those animals and their offspring. Therefore, factors other than a reduction in the production of home grown feed crops are often of much greater importance in the loss of weight gain and/or natural increase in numbers of animals.

When these other factors are considered, it may be appropriate for loan approval officials to calculate production losses to livestock operations based on reductions in animal unit weight gain and natural increase in numbers.

EXPIRATION DATE: August 31, 1986

FILING INSTRUCTIONS: Preceding
FmHA Instruction 1945-D



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When this method is used to calculate production losses, special attention must be given to obtaining documentation of production history from the applicant.

You are cautioned, when calculating production losses by this method, that losses to feed crops grown and fed will not be considered as a production loss also. Either of the two methods may be used, but not both.

PHYSICAL LOSSES

Physical losses to livestock would include:

1. Death of an animal(s) caused directly by the disaster.
2. Disaster related damage to an animal's(s') health, which has impaired or reduced its normal production.

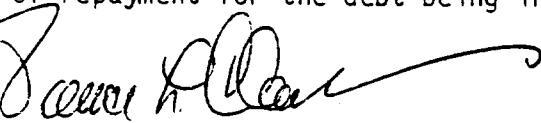
Under category 2, we include situations of a forced reduction in foundation breeding herd numbers, due to the disaster. Physical losses under these conditions are calculated by establishing a dollar value per head or unit at the time a disaster began or occurred, and deducting the reduced dollar value received from the disaster caused sale of comparable animals (The animals sold must be above and beyond the numbers normally culled each year). The difference in these two values is considered a physical loss.

PRODUCTION AND PHYSICAL LOSSES

Livestock enterprises may suffer both production and physical disaster losses. When a livestock operation suffers both production and physical losses, both type loans may be considered. In order to be eligible for both a production loss loan and a physical loss loan, the applicant must have suffered qualifying losses of each type.

EM actual loss loan funds are authorized for any Subtitle A (FO) or Subtitle B (OL) purpose. Based on this authority, there is no prohibition against using physical loss loan funds received for disaster forced foundation herd reductions or deaths of animals to purchase feed and pay for other annual production expenses essential to maintain the remaining herd.

Approval of any EM loan will be based on realistic and sound projections of repayment for the debt being incurred.



VANCE L. CLARK
Administrator

Telemail
Sent via ~~electronic mail~~ on August 23, 1985 at 3:40p.m. by DASD(IMPS)
This message should be promptly distributed to all County Supervisors and District Directors.